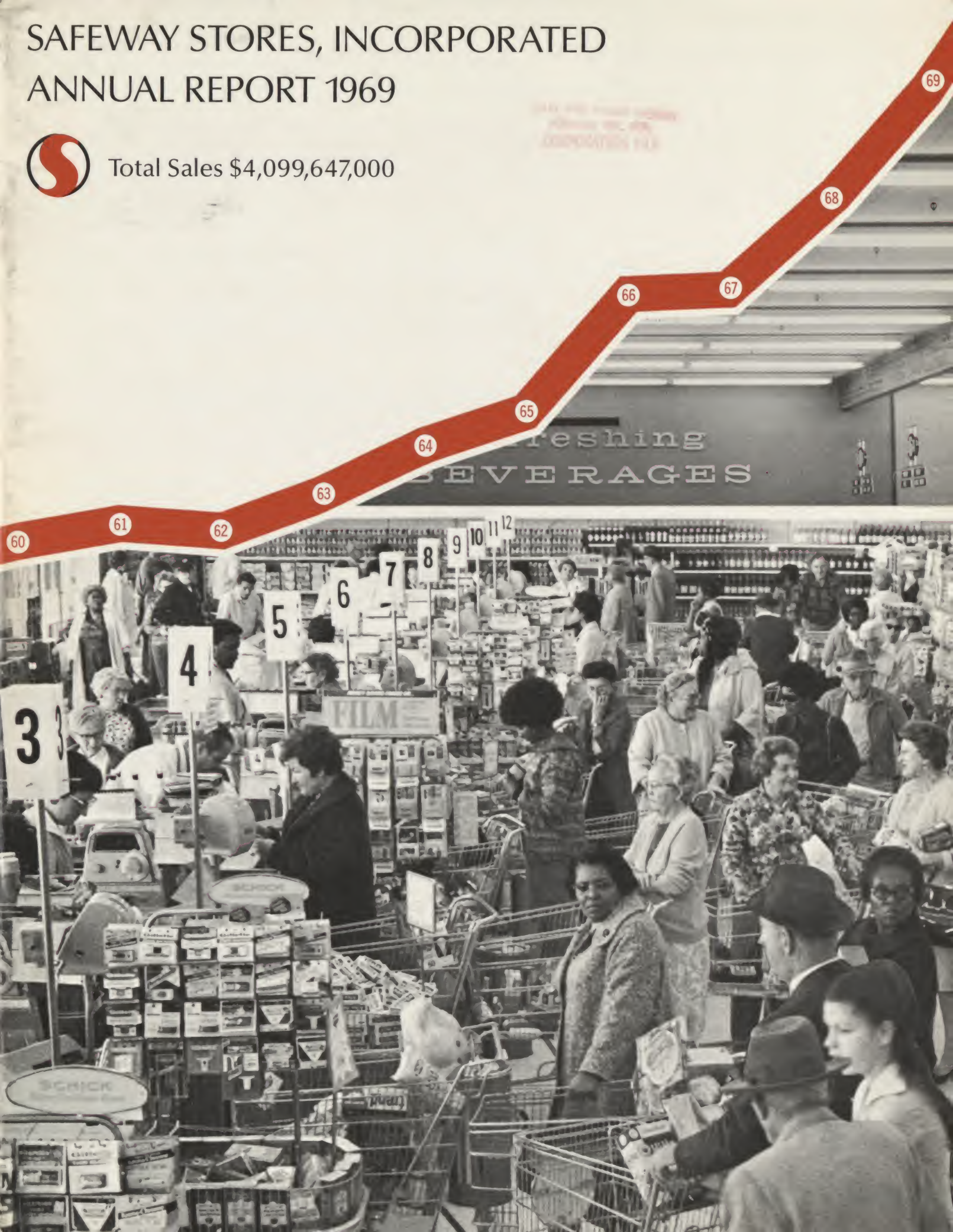
SAFEWAY STORES, INCORPORATED
ANNUAL REPORT 1969

Total Sales $4,099,647,000



		1969	1968
OPERATING RESULTS[1]	Sales	$4,099,647	3,685,690
	Income before provision for income taxes	108,610	115,526
	Provision for income taxes	57,305	60,465
	Net income[3]	51,305	55,061
	Net income as a percent of sales	1.25%	1.49
DISTRIBUTION OF EARNINGS[1]	Dividends to common stockholders	$ 28,036	28,036
	Earnings retained in the business[4]	26,557	27,025
PER SHARE OF COMMON STOCK	Net Income[4]	$ 2.14	2.16
	Depreciation	1.83	1.73
	Cash flow[2]	3.97	3.89
	Dividends paid	1.10	1.10
	Working capital (at end of year)	5.52	6.06
	Book value (at end of year)	17.94	16.89
	Price range New York Stock Exchange—Low-High	23½-30¼	23¼-31¼
FINANCIAL POSITION (at end of year)	Working capital[1]	$ 140,756	154,559
	Current assets per dollar of current liabilities	1.51	1.73
	Equity of common stockholders[1]	457,192	430,586
OTHER STATISTICS	Number of employees (at end of year)	91,352	83,655
	Number of stockholders of record (at end of year)	73,193	72,793
	Number of stores (at end of year)	2,262	2,241
	Average annual sales per store[1]	$ 1,782	1,612

(1) In thousands of dollars.

(2) Based on average shares outstanding during year.

(3) Excluding extraordinary gain in 1969 of $3,288,000, net of applicable taxes, equal to $0.13 per share.

(4) Including extraordinary gain in (3) above.

Quentin Reynolds, Robert A. Magowan

To Safeway Shareholders, Customers and Employees:

Increasing consumer acceptance of Safeway has been gratifying. Consolidated sales rose to $4.1 billion in 1969, the seventh consecutive new record and more than 11% over 1968. This was a notable milestone; only two other U.S. retailers have surpassed $4 billion in a single year.

Net profits were not satisfactory. Serious strikes in three major areas (since settled) had a dampening effect on earnings during the last half of the year. Consolidated earnings from operations amounted to $51.3 million, down from $55.1 million in 1968. Adding a nonrecurring profit of $3.3 million resulting from the sale of our shares of Blue Chip Stamps, our *total* 1969 earnings came to $54.6 million.

On a per share basis, net earnings were $2.01 from operations, versus $2.16 in 1968, and $2.14 including the extraordinary item.

Success in improving sales in the face of a flattening economy was due in large part, we think, to our flexible position in adapting local operations to the needs and wants of consumers in each area. We dropped trading stamps and converted to a discount operation in a number of additional markets where housewives had shown a preference for such an operation. (At year end we had stamps in 487 stores versus a peak of 1,249 five years ago.) We closed 97 outmoded stores and built 118 new ones. We entered new areas offering considerable long-range potential. We initiated further experiments with new facilities, new methods, and new items.

Money is both scarce and expensive, making it imperative to get utmost productivity out of funds invested. During 1969 we achieved a further improvement in the rate of cash turnover, in efforts to sustain a high sales level without an inordinate drain on capital.

With building costs continuing to rise at an alarming rate, we are holding the line on store size — to get better utilization of existing space. Stores opened in 1969 were even slightly smaller in square footage than the average for recent years; meanwhile annual sales per store have been climbing steadily, to a peak of $1.8 million in 1969.

As we look to 1970, the two edged threat of further inflation and possible economic downtrend is expected to have a strong influence on consumer buying patterns. We anticipate, however, that food store sales will hold up well, and show a modest gain — in real dollars — over 1969. The overall employment picture is stable, and disposable income levels should stay high, particularly with relaxation of the surtax. Although still keenly interested in price, today's discriminating consumers have shown a desire for better quality foods, for more convenience items, and for wider selections of non-food items in food stores. All of these represent increased spending per shopper.

At the same time, the conventional food store can expect more competition from other types of outlets for a greater share of the consumer's food budget. With increasing demands on the time they have available for food shopping and food preparation, shoppers are buying more at various types of fast food outlets. Safeway is keeping a close watch on such developments, with a view to participating where appropriate. One example is our Holly Farms venture, described in the report.

An internal expansion program will carry us into important new markets in the U.S., Canada, and overseas (see report). Although these new units will not have a significant impact on near-term results, over the next decade they should make a good contribution to corporate profits.

1970 will be a critical year as we meet the challenge of holding a rein on expenditures in the face of ever-increasing wage rates, social security costs, taxes and building costs. This will necessitate a strong sales pattern to provide the leverage for added earnings. In this respect we should benefit from a 53-week accounting year which will provide an extra week of sales against which to apply fixed annual charges. Barring unforeseen labor problems we look forward to an auspicious start on a new decade.

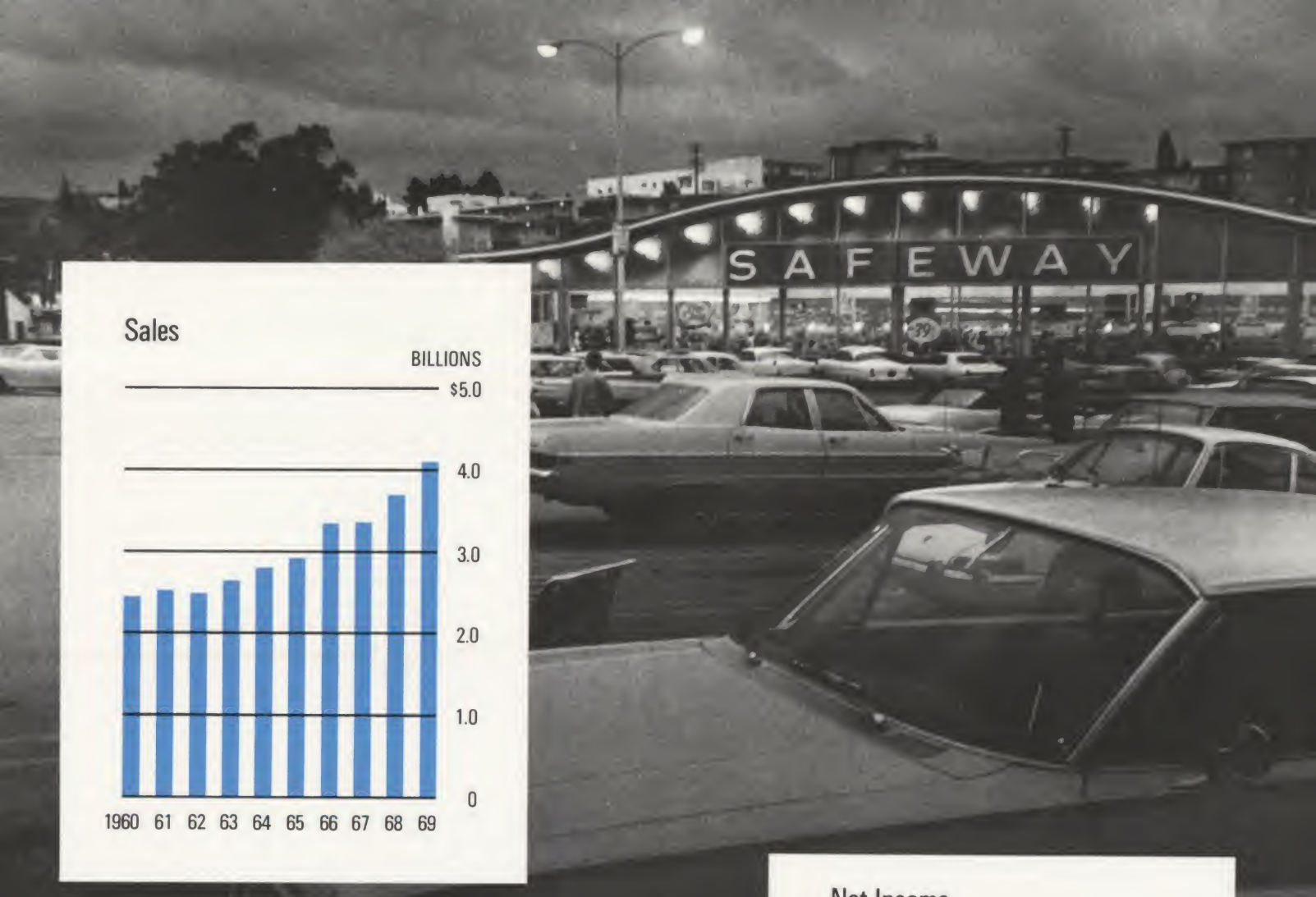
In this report we salute the members of our Board of Directors (see pictures and biographical sketches). These men possess a wealth of diversified talent which can assist with our major policy decisions, and we are proud to have them on our team. They are eminently well qualified to represent the interests of Safeway's stockholders.

Robert A. Magowan

Chairman of the Board

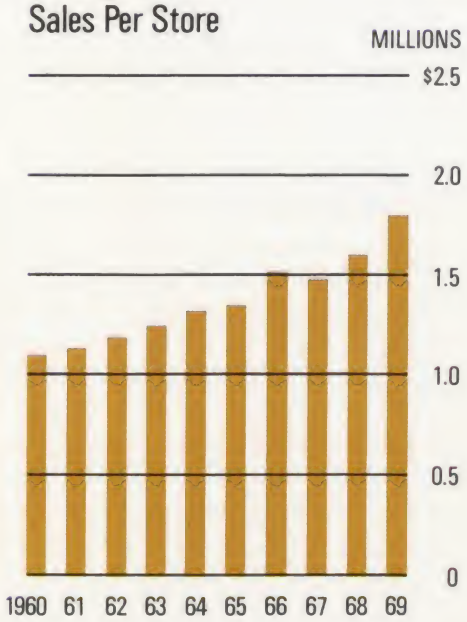
Quentin Reynolds

President and Chief Executive Officer

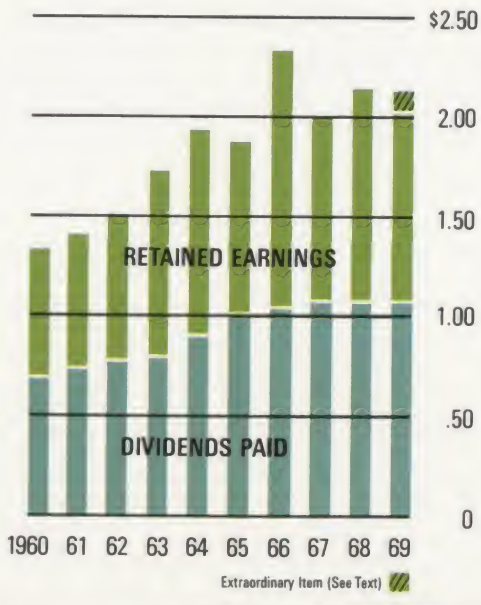


Sales

Average Annual Sales Per Store



Net Income Per Share Common Stock



FINANCIAL REVIEW

SALES

Sales of Safeway Stores and its consolidated subsidiaries during 1969 increased 11.2% over 1968 to a record high of $4.1 billion. This was the seventh consecutive year of new highs in sales. Average annual sales per store increased from $1.61 million in 1968 to a record high of $1.78 million in 1969. Again, as was the case in 1968, the principal source of the increase in sales was from continuing stores.

INCOME

Gross profit of $850 million was nearly $60 million higher than last year. As a percentage of sales, gross profit was 20.8% compared to 21.5% in 1968. The principal reasons for the lower gross profit percent were the extension of discount programs into additional areas, the inability to pass along merchandise cost increases in retail prices because of competitive conditions and the increased cost of merchandise delivered to our stores during strike periods.

Although Operating and Administrative expenses increased by $65 million, these expenses decreased as a percentage of sales, from 18.2% to 18.0%. This was accomplished despite the pressure of increases in nearly every expense category because of our success in cost control and methods improvement programs.

Income before an extraordinary item, decreased $3.8 million or 6.9% to $51.3 million and was 1.25% of sales compared to 1.49% in 1968. The extraordinary item consisted of a gain on sale of our investment in Blue Chip Stamps stock of $3.3 million, net of applicable taxes. Including this gain, consolidated net income was $54.6 million compared to $55.1 million in 1968.

Earnings per share on the average number of common shares outstanding during the year, before the extraordinary gain, were $2.01 as compared to $2.16 in 1968. Including the extraordinary gain, earnings were $2.14 per share.

SOURCE AND USE OF FUNDS

The "Financial Highlights" section of this report indicates the various sources of funds available to the Company and what uses were made of these funds. The three principal sources were net income of $54.6 million, depreciation provision of $46.6 million and decreased working capital of $13.8 million.

The funds were used primarily for payment of dividends of $28.0 million and additions to fixed assets of $85.1 million, net of proceeds from leaseback sales and outright sales of land and buildings of $41.5 million. Net additions to fixed assets during 1969 increased $31.8 million over 1968.

OTHER FINANCIAL DATA

Current assets were 1.51 times current liabilities at the end of 1969 as compared to 1.73 in 1968. The lower current ratio was due to the increased use of working capital to finance fixed asset additions because of high interest rates and tight money. Average year-end cash turned over 99.1 times in sales in 1969, an increase of 12.9 times over 1968. Average beginning and ending inventories at cost turned over 13.1 times, in sales, a little less than the 13.6 times in 1968. Equity of common stockholders increased from $430.6 million to $457.2 million during the year. Our rate of return of net income on average beginning and ending common stockholders' equity in 1969 was 12.30% compared to 13.17% in 1968.

OPERATING FACILITIES

In all operating areas during 1969 we opened a total of 118 food stores, converted one Drug Center to a non-foods section of the adjoining Safeway food store, and closed 96 food stores. For the year, we had a net increase of 21 stores compared to an increase of only 1 store in 1968.

In the United States we opened 94 food stores, converted 1 Drug Center, as noted above, and closed 86 food stores. In Canada we opened 15 food stores and closed 9. In Australia we opened 3 food stores. In the United Kingdom we opened 4 food stores and closed 1. In West Germany we opened 2 food stores.

At year-end we operated 1,908 food stores and 30 Drug Centers in the United States, 260 food stores in Canada, 22 food stores in Australia, 33 food stores in the United Kingdom, and 9 food stores in West Germany. World-wide, we operated 2,262 stores at the end of 1969.

FOREIGN OPERATIONS

The schedule below shows certain Balance Sheet and Income Statement information for our Canadian subsidiary and its overseas subsidiaries in Australia, the United Kingdom and West Germany. The information shown has been translated to U.S. dollars.

Our Canadian subsidiary reported a sales increase of 5.1%; however, net income decreased 3.3%, principally because of a prolonged labor dispute in Vancouver, B.C. The overseas subsidiaries in Australia, Germany and the United Kingdom reported increases in sales and net income in 1969 as compared to 1968. Consolidated sales were up 18.3%, while consolidated income increased 96% before taxes and 73% after taxes. On a consolidated basis, our foreign subsidiaries showed an increase in sales of 6.9%, and an increase in net income of 3.9% over 1968.

In November, 1969, Canada Safeway Limited acquired the remaining minority interest in its United Kingdom subsidiary.

BALANCE SHEET DATA 1969	Canadian Operations	Overseas Operations	Consolidated
Current Assets	$ 62,387,010	$12,712,566	$ 75,099,576
Investment in Overseas Subsidiaries	22,137,993	—	—
Other Assets	359,934	4,453,828	4,813,762
Property (Net)	63,906,458	13,149,152	77,055,610
TOTAL	$148,791,395	$30,315,546	$156,968,948
Current Liabilities	$ 36,292,248	$ 8,133,703	$ 44,425,951
Long-Term Liabilities	1,735,507	—	1,735,507
Loans by Parent	—	4,047,745	—
Preferred Stock	5,592,600	—	5,592,600
Equity of Parent	105,171,040	18,090,248	105,171,040
Minority Interests	—	43,850	43,850
TOTAL	$148,791,395	$30,315,546	$156,968,948
INCOME STATEMENT DATA 1969			
Sales	$511,632,989	$87,808,924	$599,441,913
Pre-Tax Income	20,444,740	2,143,759	22,588,499
Provision for Income Taxes	10,622,783	296,751	10,919,534
Net Income	$ 9,821,957	$ 1,847,008	$ 11,668,965

FINANCIAL HIGHLIGHTS AND TEN-YEAR SUMMARY

		1969
OPERATING RESULTS[1]	Sales	$4,099,647
	Income before provision for income taxes	108,610
	Provision for income taxes	57,305
	Net income[3]	51,305
	Net income as a percent of sales	1.25%
DISTRIBUTION OF EARNINGS[1]	Dividends to preferred stockholders	$ —
	Dividends to common stockholders	28,036
	Earnings retained in the business[4]	26,557
PER SHARE OF COMMON STOCK	Net Income[4]	$ 2.14
	Depreciation	1.83
	Cash flow[2]	3.97
	Dividends paid	1.10
	Working capital (at end of year)	5.52
	Book value (at end of year)	17.94
	Price range New York Stock Exchange—Low-High	23½-30¼
FINANCIAL POSITION (at end of year)	Working capital[1]	$ 140,756
	Current assets per dollar of current liabilities	1.51
	Equity of common stockholders[1]	457,192
OTHER STATISTICS	Number of employees (at end of year)	91,352
	Number of stockholders of record (at end of year)	73,193
	Number of stores (at end of year)	2,262
	Average annual sales per store[1]	$ 1,782
SOURCE AND USE OF FUNDS[1]	FUNDS PROVIDED FROM:	
	Net Income[4]	$ 54,593
	Charges to income not requiring funds:	
	Depreciation provision	46,638
	Deferred income taxes	3,206
	Provision for decline in conversion value of Canadian assets	—
	Decrease in working capital	13,803
	Sale of capital stock	23
	Decrease in other assets	—
	Increase in long-term debt	—
	Total	$ 118,263
	FUNDS USED FOR:	
	Dividends to Company stockholders	$ 28,036
	Additions to fixed assets (net)	85,077
	Increase in other assets	702
	Decrease in long-term debt	3,556
	Decrease in minority interest	892
	Increase in working capital	—
	Retirement of capital stock	—
	Total	$ 118,263

(1) In thousands of dollars. (2) Based on average shares outstanding during year.

1968	1967	1966	1965	1964 (53 Weeks)	1963	1962	1961	1960
3,685,690	3,360,880	3,345,187	2,939,043	2,817,569	2,649,712	2,509,644	2,538,032	2,468,973
115,526	100,128	117,793	95,150	97,875	94,746	83,326	78,587	75,178
60,465	49,235	58,045	46,965	47,895	49,930	44,055	41,985	40,360
55,061	50,893	59,748	48,185	49,980	44,816	39,271	36,602	34,818
1.49	1.51	1.79	1.64	1.77	1.69	1.56	1.44	1.41
—	—	—	173	735	838	903	1,021	1,082
28,036	27,975	26,039	25,376	23,367	20,723	20,052	19,045	17,676
27,025	22,918	33,709	22,636	25,878	23,255	18,316	16,536	16,060
2.16	2.00	2.35	1.89	1.95	1.75	1.53	1.43	1.36
1.73	1.64	1.53	1.47	1.35	1.28	1.24	1.26	1.18
3.89	3.64	3.88	3.36	3.30	3.03	2.77	2.69	2.54
1.10	1.10	1.02½	1.00	.92½	.82½	.80	.76¼	.71¼
6.06	5.40	5.37	5.55	5.53	4.78	4.70	4.96	4.34
16.89	15.83	14.96	13.63	12.73	11.71	10.78	10.04	9.36
23¼-31¼	21⅜-28⅛	23⅝-31½	30⅛-42¼	28-37¾	22¾-32⅜	18⅛-30⅛	18⅜-31⅞	16¼-20¼
154,559	137,668	136,582	140,891	140,163	120,177	117,902	124,085	108,611
1.73	1.70	1.69	1.83	1.89	1.74	1.81	1.89	1.78
430,586	403,541	380,262	346,139	322,501	294,551	270,298	251,326	232,606
83,655	78,000	74,798	69,248	68,804	66,605	63,120	60,896	63,507
72,793	73,851	72,609	66,651	58,100	58,900	59,900	58,600	59,000
2,241	2,240	2,173	2,128	2,099	2,059	2,069	2,054	2,207
1,612	1,475	1,514	1,349	1,322	1,250	1,183	1,131	1,101
55,061	50,893	59,748	48,185	49,980	44,816	39,271	36,602	34,818
44,158	41,643	38,750	37,350	34,178	32,230	30,970	31,435	29,177
3,033	3,480	2,822	2,987	(346)	1,514	1,300	540	—
—	—	1,300	950	650	650	1,500	700	—
—	—	4,471	—	—	—	6,184	—	4,674
—	1,345	412	—	—	—	—	—	—
—	349	—	11,023	—	—	—	714	1,072
—	—	—	—	27,271	—	—	—	—
102,252	97,710	107,503	100,495	111,733	79,210	79,225	69,991	69,741
28,036	27,975	26,039	25,549	24,102	21,561	20,955	20,066	18,758
53,260	61,387	72,657	54,025	44,486	46,281	46,658	28,126	43,525
461	—	5,389	—	22,446	1,777	3,425	—	—
3,368	3,147	3,118	3,571	—	6,384	6,168	5,702	7,118
236	331	300	277	295	300	300	300	300
16,891	4,870	—	728	19,986	2,275	—	15,474	—
—	—	—	16,345	418	632	1,719	323	40
102,252	97,710	107,503	100,495	111,733	79,210	79,225	69,991	69,741

(3) Excluding extraordinary gain in 1969 of $3,288,000, net of applicable taxes, equal to $0.13 per share.

(4) Including extraordinary gain in (3).

Safeway Stores, Incorporated and Subsidiaries

ASSETS	December 27, 1969	December 28, 1968
Current Assets		
Cash	$ 38,840,224	$ 43,908,844
Receivables	23,322,268	13,377,549
Merchandise inventories—at lower of cost or market (first in, first out or retail method)	337,153,455	288,370,538
Prepaid expenses	12,623,051	12,011,039
Properties for development and sale within one year	6,757,539	9,955,964
Total Current Assets	418,696,537	367,623,934
Other Assets		
Notes receivable, licenses, and miscellaneous investments	8,641,273	8,229,073
Excess of cost of investment in subsidiaries over net assets at date of acquisition	4,356,215	4,054,488
	12,997,488	12,283,561
Property, at Cost		
Buildings	38,752,532	27,075,961
Leasehold improvements	78,717,332	68,652,358
Fixtures and equipment	483,687,340	453,663,541
	601,157,204	549,391,860
Less accumulated depreciation	288,786,348	264,626,847
	312,370,856	284,765,013
Land	44,649,090	33,815,366
	357,019,946	318,580,379
TOTAL	$788,713,971	$698,487,874

See accompanying notes to financial statements.

CONSOLIDATED BALANCE SHEET

As of December 27, 1969 (With Comparative Figures as of December 28, 1968)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 27, 1969	December 28, 1968
Current Liabilities		
Notes payable to banks, short-term	$ 8,785,360	$ 676,062
Long-term notes and debentures, current maturities	3,360,000	3,290,000
Payables and accruals	246,267,575	192,628,221
Federal, Canadian and other income taxes	19,527,862	16,470,375
Total Current Liabilities	277,940,797	213,064,658
Long-Term Liabilities and Reserves		
Notes and debentures	27,179,785	30,735,789
Deferred income taxes	17,593,605	14,689,922
Minority interest in capital stock and retained earnings of subsidiaries:		
Preferred stock of Canadian subsidiary	5,592,600	5,918,900
Overseas subsidiaries	43,850	635,610
Reserve for self-insurance	3,171,296	2,856,976
	53,581,136	54,837,197
Stockholders' Equity		
Common stock	42,480,640	42,478,890
Additional paid-in capital	46,199,514	46,178,164
Retained earnings	368,511,884	341,928,965
	457,192,038	430,586,019
TOTAL	$788,713,971	$698,487,874

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

For the 52 Weeks Ended December 27, 1969 (With Comparative Figures for the 52 Weeks Ended December 28, 1968)

	1969	1968
Sales	$4,099,646,656	$3,685,690,368
Cost of Sales	3,249,166,866	2,894,774,935
Gross profit	850,479,790	790,915,433
Operating and Administrative Expenses	737,583,565	672,375,975
Operating profit	112,896,225	118,539,458
Other Deductions		
Interest on debentures and long-term notes	1,518,246	1,602,924
Earnings of unconsolidated foreign subsidiary	(15,263)	(56,945)
Minority interests in earnings of overseas subsidiaries	101,814	64,280
Dividends on preferred stock of Canadian subsidiary	228,357	242,123
Other charges—net	2,453,278	1,160,815
	4,286,432	3,013,197
Income before provision for income taxes	108,609,793	115,526,261
Provision for Federal, Canadian and other Income Taxes	57,304,534	60,465,309
Income before extraordinary item (per share: 1969, $2.01; 1968, $2.16)	51,305,259	55,060,952
Gain on Sale of Securities —net of applicable income taxes (per share: 1969, $0.13)	3,287,707	—
Net Income (per share: 1969, $2.14; 1968, $2.16)	54,592,966	55,060,952
Retained Earnings at Beginning of Period	341,928,965	314,884,206
	396,521,931	369,945,158
Deduct:		
Cash dividends on common stock (per share: 1969, $1.10; 1968, $1.10)	28,036,356	28,036,067
Additions resulting from stock acquisitions	(26,309)	(19,874)
	28,010,047	28,016,193
Retained Earnings at End of Period	$ 368,511,884	$ 341,928,965

See accompanying notes to financial statements.

Notes to Financial Statements

BASIS OF CONSOLIDATION:
The financial statements include all subsidiaries of the Company on a fully translated basis at appropriate rates of exchange, except one minor overseas foreign subsidiary included in miscellaneous investments at equity.

The assets, liabilities and operating results of foreign subsidiaries included in the consolidated financial statements are set forth in the Financial Review elsewhere herein.

NOTES AND DEBENTURES:
Long-term notes payable consist principally of $30,000,000 of 4.65% term notes of the parent company due November 1, 1979, of which $3,000,000 is included in current liabilities. Payments of $1,500,000 semi-annually with no premium are required to commence May 1, 1970, with certain prepayment options at varying premium rates to maturity.

Under the agreements covering the 4.65% term notes, $157,626,237 of the retained earnings at December 27, 1969 are free of restrictions for dividend payments and acquisitions of outstanding common stock. Certain other restrictions, including one upon creation of additional funded indebtedness, are imposed by the note agreements.

Debentures of the parent matured in 1969 and those of a Canadian subsidiary, $360,000, mature in 1970 and are included in current liabilities.

CAPITAL STOCK:
Capital stock consists of 4% cumulative preferred, 220,372 shares authorized and unissued and common stock, par value $1.66⅔ per share, authorized 27,000,000 shares, outstanding 25,488,384 shares (after deducting 45,968 shares in treasury).

Of the unissued common stock of the Company, 627,440 shares are reserved for issuance pursuant to the Stock Option Plan of 1963, authorizing the Board of Directors to grant to Officers and employees of the Company and its subsidiaries restricted options (qualified options as to those granted after January 1, 1964) to purchase common stock in consideration of their agreements not to terminate their employment before fixed dates. All matured options become void unless exercised within three months after employment terminates, with a one-year extension on employee's death, and in any event not later than ten years after the date of granting as to those granted before January 1, 1964, and five years as to those granted thereafter.

At the beginning of the year, options for 344,800 shares were outstanding at a total option price of $9,590,021. Options for 18,500 shares were granted during the year; options for 1,050 shares were exercised at a total option price of $23,100; options for 3,300 shares (which are subject to reallocation) became void due to death or termination of employment; options for 32,000 shares expired (which are subject to reallocation). No changes occurred during the year in the exercise price of outstanding options. At the end of the year options for 326,950 shares were outstanding which are or will become exercisable as follows: 129,350 at $22.00; 3,000 at $22.875; 2,000 at $25.125; 1,500 at $27.375; 18,500 at $29.1875; and 172,600 at $30.5938. At the beginning of the year, 283,690 unoptioned shares were available for granting, and 300,490 were available at the end of the year.

ADDITIONAL PAID-IN CAPTIAL:
The change in 1969 consisted of a credit for $21,350 excess of proceeds over par value of common stock issued under options exercised.

DEPRECIATION:
The Statement of Consolidated Income includes a charge for depreciation of $46,637,838 in 1969, and $44,158,445 in 1968, computed on the straight-line method.

FEDERAL AND CANADIAN INCOME TAXES:
The 1969 tax investment credit of $1,800,000 has been applied as a reduction of Federal income tax expense, as in prior years.

Deferred income taxes arise principally as a result of claiming depreciation for income tax purposes in excess of that taken in the accounts. The provision for income taxes in the 1969 Statement of Consolidated Income includes $3,205,799 for such deferred taxes.

The Federal income tax returns of the Company for the years 1963 through 1968 are currently being examined by the Internal Revenue Service. The Company believes that adequate provision has been made for possible assessments of additional taxes for these years.

EMPLOYEE RETIREMENT AND PROFIT-SHARING PLANS:
The Company and its Canadian subsidiaries have contributory, trusteed retirement plans which may be amended or terminated at any time, for eligible employees not covered by other plans. The Company's practice is to contribute the full normal cost and payment toward amortization of any unfunded past service liability. The assets of the trust funds are more than sufficient to fund vested benefits. Charges to income for current year contributions amounted to $1,668,146.

Charges to income for Profit-Sharing Plan (U.S. only) contributions for the current year amounted to $3,819,638.

PROPERTY LEASES:
Leases are in effect on 2,629 properties, of which 1,543 can be canceled by the Company by offer to purchase the properties at original cost less amortization. Purchase of these properties would be necessary upon acceptance of such offers by the lessors.

Minimum rental on leases in effect at the year-end was approximately as follows for the years or periods indicated:

1970	$79,386,000	1975-1979	$371,530,000
1971	78,705,000	1980-1984	269,404,000
1972	78,191,000	1985-1989	102,102,000
1973	77,637,000	After 1989	54,509,000
1974	77,063,000		

CONTINGENT LIABILITIES:
The liability upon completion of contracts for construction of buildings and purchase of land not reflected in the financial statements amounted to approximately $25,000,000. Various claims and lawsuits incident to operations are pending against the Company and its subsidiaries. To the extent that such contingent liabilities are uninsured, General Counsel for the Company is of the opinion that the ultimate outcome of such claims and lawsuits will not have a significant adverse effect on the financial statements at December 27, 1969.

ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.

To the Board of Directors and Shareholders of Safeway Stores, Incorporated:

We have examined the consolidated balance sheet of Safeway Stores, Incorporated and subsidiaries as of December 27, 1969 and the related statement of income and retained earnings and the statement of source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of Safeway Stores, Incorporated and subsidiaries at December 27, 1969 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the statement of source and use of funds for 1969 presented herein under Financial Highlights presents fairly the information shown therein.

601 California Street
San Francisco, California 94108
February 27, 1970

Peat, Marwick, Mitchell & Co.

The 1970's

DECADE OF GROWTH

This is how it looks from the air – metropolitan Houston, Texas, with 1.8 million people and the third-f cities. Our first Houston stores are in place and will be open this spring. We expect to have seven by th

For Safeway in the seventies, the word is growth.

This is not just paper plans and good intentions. This is increased growth set in motion by deliberate policy decision and already showing concrete, visible form.

It is visible now in sites cleared and walls up for several large new supermarkets in big, booming Houston, Texas—our first stores there.

It is visible in flourishing Toronto, Canada, where the first Safeway opened last September to crowds of shoppers in the new Brampton shopping center, and where additional store sites have been acquired.

Growth is occurring overseas in England, Germany, and Australia, with site acquisitions which will more than double our overseas stores by 1975.

It is occurring also by diversification through such activities as Holly Farms' attractive fried chicken facilities on Safeway parking lots serving the public in Washington, D.C. today.

Growth is occurring "where we are" in the U.S. and Canada, with strong building programs under way for stores, warehouses and plants. It is showing in our sales volume, which enjoyed an exceptional surge in 1969, exceeding $4 billion for the first time.

Both Houston and Toronto are new ventures into areas where Safeway has not previously operated. Though not precisely comparable to our overseas expansion to London and Australia in 1962-63, they are also major "new territory" moves.

The decision to expand into Houston was made less than two years ago. Today a big new Safeway (27,000 square feet with complete in-store bakery and delicatessen) stands ready to serve people there. We expect to have seven such stores in Houston by the end of this year.

The adjectives "big" and "booming" are often heard in descriptions of Texas, and the statistics make them believable.

Metropolitan Houston:

— Has 1.8 million people, and the third-fastest growth rate among U.S. cities over a million (4% a year against 1.5% U.S. average).

—Has an industrial economy hinged on oil production, with 30 refineries nearby producing 1/3 of the nation's current capacity.

— Has some 200 chemical plants producing over 500 products, including 80% of the country's synthetic rubber.

— Ranks third among U.S. seaports in tonnage handled.

—Attracts thousands of professional people with its Manned Spacecraft Center and its Texas Medical Center.

— Has average income per household of $12,000 a year.

— Is a vast and growing market for retail foods with total expenditures of more than $600 million a year.

For the present Safeway's Houston operations will be a part of the Dallas Division, as a newly-created retail area which will be the full-time responsibility of a key operating executive. Acquisition of additional store sites is proceeding.

Safeway's other new venture on this continent is taking place far to the north in Toronto, on the shores of Lake Ontario.

Like Houston, Toronto is among the fastest-growing metropolitan areas of North America, with two million inhabitants and a growth rate of 4% annually.

In the province of Ontario (half-again as large as Texas), Toronto is at the center of Canada's industrial heartland. Its strengths are manufacturing (autos and airplanes, fabricated metals, machinery, etc.), mining (nearly $1 billion a year), banking, and export. Its Stock Exchange is the largest in North America outside of New York.

For building construction, Toronto stands unchallenged; it is "Boom Town, The World." More than $2 billion worth of major construction projects are now under way there.

test growth rate among large U.S. end of 1970.

Walls go up on a site in Houston (immediately above) while at far right is our first store in another fast-growing metropolitan area which Safeway is entering—Toronto, Canada (aerial photo at top).

The recent rate of housing starts has been 19 per 1,000 population—three times those of New York or Los Angeles. One-fourth of the purchasing power of all Canada lies within 100 miles of Toronto. Personal income is 12% above the national average.

To build and operate our Toronto operations the Company last July set up the new Toronto Retail Division as a part of Canada Safeway.

As we move into the new decade, Houston and Toronto are dramatic evidence of Safeway's commitment and capacity for growth in the seventies—but they are by no means the bulk of it in terms of dollars, buildings and people. Growth "where we are" is continuing both in expanded new store footage and in new and modernized warehouses and plants.

We built 118 new stores and closed 97 in 1969, for a net gain of 932,000 square feet. We expect to exceed that in 1970.

In 1969 we completed 3 new and 3 expanded warehouses, and 2 new and 1 expanded supply plants. Completion is scheduled in 1970 for 6 new and 7 expanded warehouses, and 8 new and 4 expanded supply plants.

Among these 1970 projects soon to be completed is the San Francisco Division's new Meat Warehouse at its Richmond, California, Distribution Center. There in addition we are expanding the Frozen Foods Warehouse and the Bakery Plant.

Others for 1970 include four new beverage plants which will serve our Seattle, San Francisco, Los Angeles, and Washington, D. C. Divisions.

— Item: More than a dozen new stores are under construction as of this moment in the Dallas Division, exclusive of Houston. Dallas, Texas, ranks fourth in U.S. Census Bureau estimates of population growth to 1975, among U.S. cities of over a million.

— Item: Work is under way on a multi-million-dollar expansion project for our Dallas Division Distribution Center to handle our accelerating growth in the areas it serves.

— Item: Washington, D.C. Division is expanding into excellent markets adjacent to our existing distribution system; specifically Baltimore, and the Virginia coast including Hampton and Virginia Beach. A third retail area, headquartered in Richmond, was set up last year to accommodate this growth.

— Item: Land has been selected for a new Distribution Center for our Washington, D. C. Division in Northern Virginia. This will supplement existing warehouse and trucking facilities in handling the increased sales volume and number of stores.

From the facts and action detailed above one thing about the seventies is clear. Safeway will be where the growth is, and Safeway will grow.

Growth

OVERSEAS

Safeway's ventures overseas have been a story of rapid growth from the beginning, and we are acting now to expand them even more rapidly over the next few years.

At the start of the sixties there were no Safeway stores overseas. Today there are sixty-four: 33 in England and Scotland, 9 in West Germany, and 22 in Australia. Of these, 9 were opened last year: 4 in England, 2 in West Germany, and 3 in Australia.

Plans call for doubling our number of stores in the United Kingdom and Germany by midway in the seventies, and more than doubling them in Australia.

In England, work has begun on a large new Distribution Center at Aylesford, Kent, about twenty miles outside greater London. This major complex is comparable to our U.S. Divisional facilities. It will receive, assemble, and deliver merchandise to all Safeway stores in England. Completion is scheduled for late this year.

A warehouse was completed in West Germany in 1969, and construction will start on one in Glasgow, Scotland in 1970.

In Australia, important new developments are also under way. All 22 of our existing stores are located in the metropolitan area of Melbourne (pop. 2.2 million). We are now preparing to enter Sydney, Australia's largest city (pop. 2.5 million).

An office has been opened in Sydney and negotiators are at work on preliminary phases of obtaining store sites. The first Safeway stores there will be ready for business in 1971.

Our Australia Division now owns 47½ acres of land for a Distribution Center and Division office well situated to serve the needs of its metropolitan and Victoria stores. We hope to have the Center operating within two years.

Australia, romanticized as a pastoral land of wool, kangaroos, koala bears, and Christmas in midsummer, is becoming increasingly industrial. Population has been growing at the rate of 2.2% annually, and continued fast growth is predicted. Gross national product shows a high rate of increase; per capita income is fifth highest among nations; automobiles average one for every three persons.

Australia appears headed for a decade of surging growth — and Safeway is there.

This big new store in Templestowe, Australia, has 20,000 square feet with snack bar and delicatessen. Scene is typically Safeway including busy parking lot. Australians average one car for every 3 persons.

Inside the Australian store, a customer selects from attractive meat display (far left). On the immediate left is new store in Hamburg, West Germany, prior to opening last November.

Backdoor view of new Safeway in Southport, Lancs, England, receiving delivery. Below is Distribution Center being built this year in Aylesford, Kent, near London. Will have 90,000-ft. grocery warehouse, 20,000-ft. office, 50,000 feet of refrigerated space for frozens, meat, dairy, and produce; plus truck shop and salvage warehouse.

Growth by DIVERSITY

Diversified operations are not new to Safeway, but we have recently put new emphasis on diversification as a means of growth.

Just over a year ago we joined with Holly Farms Poultry Industries, Inc. in forming Holly Enterprises, to operate fried chicken facilities (with both take-out and sit-down service) on the parking lots of selected stores.

Appropriately, this "fast food" operation is off to a fast start. The first "Holly Farms Fried Chicken Take Home" was opened in Colonial Heights, Virginia, a Richmond suburb, in August, 1969. We now have four units operating in the Washington-Baltimore-Richmond area (see photos below). We expect to have 25 to 30 in the Washington, D.C. Division by the end of this year.

Results have been encouraging. We are moving rapidly to extend these operations to other parts of the country. San Francisco Bay Area will be next. The first four installations are scheduled to open there soon, on store parking-lot sites already selected.

Holly Farms Poultry Industries, Inc. is the second largest fresh packaged poultry operation in the world. It has been a supplier of fresh chickens to our Washington, D.C. Division stores for several years.

In other ways, Safeway's operations are quite diverse and have long been so. We are warehouse and trucking operators on a large scale; we are also manufacturers and packers of many products sold in our stores under Safeway Brand labels.

We operate Drug Centers and combination food-and-drug stores (see photo). We operate discount stores, as well as "Safeway International" prestige stores featuring exotic gourmet items imported from many lands. We operate "Safeway, Jr." stores doing high volume in limited floor space in densely-populated apartment house areas.

Diversity is another key to growth. We continue actively on the lookout for additional possibilities which can contribute to Safeway sales and profits.

Busy parking lot suggests popularity of above combination Safeway drug center and supermarket in Los Angeles. There were two separate stores here until a recent remodeling joined them. Combined store is more efficient to operate and provides more convenient shopping for our customers.

Gourmet wieners from Germany, or Bombay Duck from Far East—it will be brought in by Safeway's Import Department Mgr., shown arriving home after a trip to far places.

Our new Safeway International in Richmond has wide choice of exotic foods, including elephant steaks. Here Virginia's Governor and First Lady examine some of the delicacies on display.

Customers being served (far left) in one of several Holly Farms fried chicken facilities now operating on selected Safeway parking lots. In partnership with Holly Farms Poultry Industries Inc., we are building more of these attractive units, some of which provide sit-in as well as take-out service.

People, Our WINNING TEAM

There are 90,000 people in the widely spread Safeway organization, working in 700 different kinds of jobs — a vast array of trades, occupations, professions and careers.

We are the people you meet in the stores: the schoolboy courtesy clerks, the personable young ladies in the checkstands, the shelf stockers, meat cutters and wrappers, the produce and dairy experts, the store managers and their assistants.

We are also the people you seldom see or meet, in the support functions backstage. We are the truck drivers, dispatchers, mechanics and transport managers, who operate and maintain Safeway's Divisional trucking fleets. We are the warehousemen who receive and store incoming merchandise — fresh, frozen, packaged and canned—for assembly and loading out to the stores from the Company's many Distribution Centers.

In more than 100 food and beverage manufacturing and processing plants (milk, cheese, butter, ice cream, bread, candy, coffee, mayonnaise, sausage, jams, jellies, etc.), we are the engineers and chemists, the machine operators, maintenance men, mixers, bakers, and candy-makers.

In Supply Division and Branch offices we are the buyers of fresh fruits and vegetables from the fields, of meats and all manner of grocery products, both nationally-branded and for our S-Brand labels.

At Corporate Headquarters, and in Retail Division and Zone offices in 32 cities on this continent and overseas, we are the staff specialists — the accountants, controllers, engineers, designers, draftsmen, advertising artists and writers; the personnel and public relations managers, economists, statisticians, lawyers, librarians, tax experts, insurance experts, labor negotiators and real estate negotiators.

We are the office managers, secretaries, typists, file clerks, receptionists, and mail boys in the scores of offices of Safeway operations everywhere.

Our people *are* Safeway. They possess an impressive total of knowledge and skills, plus years of experience in applying them successfully within our organization. They constitute a priceless asset that we think is unmatched in the industry. While the Company can't bookkeep this asset as we do dollars, we are constantly at work on programs to strengthen it.

Manpower planning goes on at all levels, including job-by-job studies of future needs for supervisors and managers. Training is continuous, both on the job and in the classroom.

One example is our checker training schools in the Retail Divisions. Another is the "lesson plans" for grocery clerks and produce and meat personnel. A new plan, "S-Brand Selling," was added to this series in 1969, and more are projected.

Programs of this kind train thousands of new store people each year, and refresh the skills of thousands of others. Management and supervisory training programs both at headquarters and in the Divisions prepare many to move into higher positions.

In store management alone, our objective for 1970 is to train 350 new store managers, 350 new meat department managers, 700 new assistant store managers, and 800 new produce department managers.

Successful growth requires depth in capable people—in short, a winning team.

Architectural Draftsmen

Chemists, Lab Technician

Librarians

Distribution Center Manager, Trucking Dept. Manager

Retail Div. Mgr., (Staff Members)

Market Research Specialists

Employee Relations Manager, Secretary

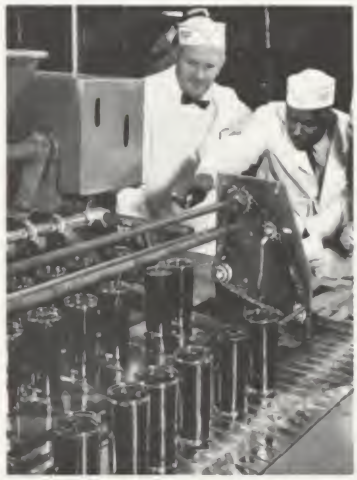
Public Relations Manager, (Staff Members)

Div. Advertising Mgr. (right), Staff Assistant

Store Manager (right), Assistant Manager

Warehouseman

Meat Warehouse Manager, Foreman



Plant Manager, Superintendent

Mail Clerks

Truck Dispatcher, Truck Driver

Produce Field Buyer

Oil Plant Manager (right), and Processing Supervisor

Industrial Engineer

In-Store Baker

Winners Are

INNOVATORS

Safeway engineers in 1969 achieved a true breakthrough in store air conditioning. They proved that a modern supermarket requires about half as much air cooling capacity as most of the industry has been installing under the old textbook formulas.

As a result, our Company is enjoying cost reduction on air conditioning installations in new stores amounting to at least 1/4 million dollars a year. More benefits are in the offing as the studies continue.

These studies began three years ago when we invited a major equipment manufacturer to collaborate with us. They led to the "Safeway Los Gatos Project" last summer, where 20 tons of air cooling was installed in a new store after computer analysis had forecast the reduced need. Under the old formulas up to 40 tons would have been provided.

Benefits continue to flow from our "Los Gatos Project." Besides reduced air conditioning costs, there is reduced maintenance, more comfortable store environment for customers, better *product* refrigeration and therefore improved product quality, and promising new progress on humidity control and heat reclamation.

The computer made this breakthrough possible, with its precision and capacity for measured consideration of the many variables. But somebody had to ask the right questions, and we're proud that it was our innovative and persistent Safeway specialists in retail engineering and store design.

Staff specialists in other areas of our operations also report progress in the continuing search for better methods.

An example is the new produce work station now approved for our stores (see photo). This was developed by our research staffs concerned with store operations and equipment, to facilitate preparation of fresh fruits and vegetables for display.

The necessary washing, culling, trimming, etc., can be accomplished much more readily and effectively using the new produce work station, which provides better positioning of worker, products, tools, supplies, and other elements in the process.

New produce work station above is for trimming vegetables in the stores. It was developed by our staff specialists in their continuing efforts to improve work processes.

You are looking at air conditioning equipment in a Safeway store, and at the kind of research that last year achieved a noteworthy breakthrough in reduced costs of air conditioning our stores. Safeway engineers in our "Los Gatos Project" disproved some old formulas and found we could get better results with much lower-capacity equipment than has customarily been installed in supermarkets.

Winners Are CONCERNED

People who work in retail food stores meet their neighbors frequently and have many opportunities to feel and show individual concern for their fellow man.

Opportunities also come to us as a company to act in this spirit, as happened recently in connection with a new minority training project both unique and promising.

Safeway gave a 40-foot trailer (the kind we use for delivering groceries) to the University of California at San Diego for their project known as "Computer Jobs Through Training."

Underprivileged high school seniors and young adults of the community will be trained in computer programming. The 40-foot trailer has been equipped as a mobile classroom, "to take the hardware to the student."

Highly qualified University personnel will conduct the training, as a joint venture of the Department of Applied Physics and Information Science, the Computer Center, and the University Extension.

Though small now, this project has about it a sense of excitement and breakthrough. These young people will be trained for immediate jobs as coders and programmer trainees.

Programming is a respected occupation for which demand is great now and growing tremendously. The promise is that methods developed at UCSD may eventually become the means for providing good jobs and new hope to large numbers of underprivileged youth.

In another area during 1969 Safeway was credited with a volunteer action showing concern for consumers. Our Washington, D.C. Division began unit pricing experiments in four stores. There is great interest in these experiments. "Consumerism," which gained prominence during the year, is likely to remain an important subject for quite some time.

President Nixon in December invited representatives of food manufacturing and distributing systems to participate in the White House Conference on Food, Nutrition, and Health. Three Safeway executive officers developed extensive briefs on the distribution of food in the U.S., and by participating in the Conference, aided in the development of solutions to nutrition and hunger problems in the country.

Trailer donated by Safeway has been fitted as a mobile classroom to train underprivileged youth in computer programming, a project of the University of California at San Diego.

Jobs for the disadvantaged are a continuing concern of the Company. Above is a classroom scene in a two-week training and recruiting project of the Food Employer's Council and the National Alliance of Businessmen in Southern California last fall. Safeway participated and hired a number of candidates. Similar efforts in our other areas have also proved successful.

Executive Committee

Robert A. Magowan
Chairman
Ernest C. Arbuckle
Charles de Bretteville
A. Russell Griffith
Roger D. Lapham, Jr.
Quentin Reynolds
Milton L. Selby

Robert A. Magowan, Chairman of the Board of Directors of the Company, is also Chairman of the Executive Committee. After early merchandising experience with R. H. Macy & Co. and with Safeway, he was a principal partner of Merrill Lynch, Pierce, Fenner & Smith from 1938 until he rejoined Safeway in 1955. He served as both Board Chairman and President from 1957 to 1966, and continued as Chief Executive Officer until 1969. Mr. Magowan is a Director of several major companies, and a member of the Advisory Council of the Stanford Graduate School of Business.

Quentin Reynolds, President and Chief Executive Officer of the Company, started with Safeway as a food clerk in the San Francisco Bay Area. He became San Francisco Division Manager in 1956, then Vice President and Director, and was elected President in 1966 and Chief Executive Officer in 1969. Mr. Reynolds is a Director of the California State Chamber of Commerce, the National Association of Food Chains, and the Management Council of San Francisco, a Regent of St. Mary's College, and a Trustee of the Bay Area Council.

Ernest C. Arbuckle, Chairman of the Board, Wells Fargo Bank, is a member of the Executive Committee of Safeway, and the Executive Compensation and Stock Option Committees. From 1958 to 1968 he was Dean of the Stanford University Graduate School of Business. Mr. Arbuckle is a Director of several leading companies. He is a Trustee of Stanford University, and the Committee for Economic Development, and was recently named to the Industry Advisory Council of the Department of Defense.

J. G. Boswell II is President and Director, J. G. Boswell Company – farming and related business. He is a member of Safeway's Executive Compensation and Stock Option Committees. Mr. Boswell has been a Safeway Director since 1956, and is a Trustee of the California Institute of Technology.

Norman Chandler, Chairman of the Executive Committee of the Times Mirror Company (Los Angeles Times), is a member of Safeway's Executive Compensation and Stock Option Committees. Mr. Chandler served the *Times* for many years as President and later as Chairman of the Board and Chief Executive Officer. He is a Director of several major companies, and a Trustee of the California Institute of Technology.

Henry B. Clay is Vice President and Regional Retail Manager of the Company. His responsibility in Retail Operations embraces approximately half of Safeway's U. S. Retail Divisions. After serving in various procurement and retail capacities in the Company, including Retail Division Manager, Mr. Clay was made a Vice President and Director in 1960.

Charles de Bretteville is Chairman of the Board and Chief Executive Officer of the Bank of California, N. A. His Safeway Committee memberships: Executive, Executive Compensation (Chairman), Stock Option (Chairman), Retirement, and Profit Sharing. He is a Director of several companies, a Trustee of Menlo School and College, an Associate of St. Francis Memorial Hospital, and a member of the National 4-H Advisory Council.

A. Russell Griffith, retired (1967), was formerly Vice President, Controller, and Treasurer of the Company. He is a member of the Executive, Executive Compensation, Finance, and Stock Option Committees. A Director since 1953, he served successively as VP in charge of Personnel, Accounting, Finance, and Real Estate and Construction.

Malcolm P. Grover is Vice President of the Company in charge of Industrial and Public Relations, Personnel, and Economic Research. Safeway Committees: Retirement, Profit-Sharing, and Salary Administration (Chairman). He came to Safeway from a national public relations counseling firm in 1956, was elected Vice President in 1964 and a Director in 1967.

Lorenzo N. Hoopes, Vice President of the Company in charge of Supply Operations, was formerly Manager of Safeway's Dairy Supply Division. In 1953 he took leave to serve as Executive Assistant to the U. S. Secretary of Agriculture. Returning to Safeway in 1955, Mr. Hoopes was placed in charge of all Safeway Supply Operations in 1966, and became a Director in 1967.

Roger D. Lapham, Jr. is President and Director of Frank B. Hall & Co. of California, and Director of Frank B. Hall & Co. Inc. (New York) – insurance brokers. He is a member of the Executive Committee of Safeway, and the Executive Compensation and Stock Option Committees. Mr. Lapham is a Director of several companies, and a Regent of the University of San Francisco.

Merrill L. Magowan, Account Executive and Stockholder with Merrill Lynch, Pierce, Fenner & Smith Incorporated (investment bankers), is a member of Safeway's Executive Compensation and Stock Option Committees. He has been with Merrill Lynch since graduation from Yale University in 1961. Mr. Magowan is a Trustee of Nyack Boys School, and Southampton (L. I.) Hospital. He was elected a Safeway Director in 1968.

W. S. Mitchell, Executive Vice President of the Company, is in charge of Real Estate, Construction, and Foreign Operations. He was elected a Director in 1953, Controller 1953 to 1956, Vice President Supply, 1956 to 1966, and Executive VP in 1966.

Glenn K. Mowry is Vice President and Treasurer (Principal Financial Officer) of the Company. His Committees: Finance (Chairman), Salary Administration, Retirement (Chairman), and Profit-Sharing (Chairman). He came to Safeway from the Bank of California, N.A. in 1967, after a career there leading to Executive Vice President during 1964-67. He is a member of the National Board of the Financial Executives Institute.

G. H. Parker is Vice President and Regional Retail Manager of the Company. His responsibility in Retail Operations embraces approximately half of Safeway's U. S. Retail Divisions. Mr. Parker served successively as Manager of the Spokane Division, Portland Division, and San Francisco Division. He was elected Vice President in 1964 and a Director in 1967.

Milton L. Selby, retired, formerly President of the Company, is a member of the Executive, Executive Compensation, and Stock Option Committees. For many years he was General Counsel, was Vice President and Treasurer, and served as President from 1955 to 1957. He is also a Director of Cutter Laboratories, Inc.

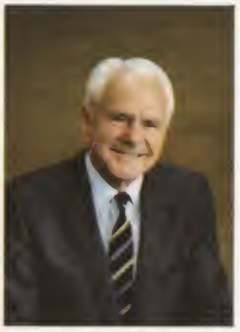
# of Directors

Lorenzo N. Hoopes, Merrill L. Magowan, Malcolm P. Grover

J. G. Boswell II, W. S. Mitchell

Glenn K. Mowry, Roger D. Lapham, Jr., G. H. Parker

Charles de Bretteville, Henry B. Clay



Ernest C. Arbuckle

Norman Chandler

Robert A. Magowan, Quentin Reynolds

Milton L. Selby, A. Russell Griffith

REGIONS AND DIVISIONS

At year-end Safeway had 2,262 stores operating in the countries indicated on this two-hemisphere map: The United States, Canada, the United Kingdom, West Germany, and Australia. Below, under each Regional Manager are listed the Retail Division Managers and number of stores in each Division. Our U.S. Regional Managers report to the President; our Canadian Regional Manager and Overseas Division Managers report to the Executive Vice President.

REGIONAL MANAGER Henry B. Clay

DALLAS DIVISION
HORACE A. JUSTICE
161 Stores

EL PASO DIVISION
ROBERT L. JAYNES
52 Stores

KANSAS CITY DIVISION
JACK L. ANDERSON
99 Stores

LITTLE ROCK DIVISION
JAMES A. ROWLAND
65 Stores

OKLAHOMA CITY DIVISION
R. E. TEMPLEMAN
74 Stores

OMAHA DIVISION
PAUL K. HENDRIX
82 Stores

PHOENIX DIVISION
HENRY J. FRANK
39 Stores

SOUTHERN CALIFORNIA DIVISION
EARL W. SMITH
229 Stores
14 Safeway Drug Centers

TULSA DIVISION
JOHN W. WARTHAN
47 Stores

WASHINGTON, D.C. DIVISION
BASIL M. WINSTEAD
250 Stores

REGIONAL MANAGER G. H. Parker

BUTTE DIVISION
P. P. MARTIN
39 Stores

DENVER DIVISION
R. L. CAMPBELL
148 Stores

PORTLAND DIVISION
FRED E. MACRAE
105 Stores

SACRAMENTO DIVISION
FRANK J. GLASGOW
87 Stores

SALT LAKE CITY DIVISION
FLOYD H. GIFFORD
63 Stores

SAN FRANCISCO DIVISION
L. A. BIANCO
215 Stores

SEATTLE DIVISION
C. A. BRADBURN
113 Stores

SPOKANE DIVISION
L. M. PRINGLE
40 Stores

NO. CALIF. DRUG CENTERS
16 Safeway Drug Centers

REGIONAL MANAGER W. J. Kraft

PRAIRIE DIVISION
A. G. ANSELMO
109 Stores

TORONTO DIVISION
DAVID LAUB
1 Store

VANCOUVER DIVISION
W. J. KRAFT
97 Stores

WINNIPEG DIVISION
W. F. GRIFFITHS
53 Stores

OVERSEAS

AUSTRALIA DIVISION
J. W. R. PRATT
22 Stores

UNITED KINGDOM DIVISION
JOHN S. KIMBALL
33 Stores in United Kingdom
9 Stores in West Germany

Officers

Robert A. Magowan*
Chairman of the Board and
Chairman of the Executive Committee

Quentin Reynolds*
President and Chief Executive Officer

W. S. Mitchell*
Executive Vice President

Paul A. Baumgart
Vice President
Corporate Economist

C. A. Bradburn
Vice President
Seattle Division Manager

Gerald E. Brown
Vice President
Advertising and Market
Research Divison Manager

R. L. Campbell
Vice President
Denver Division Manager

Henry B. Clay*
Vice President
Regional Retail Manager

Beach H. Dean, Jr.
Vice President and Assistant Treasurer
Real Estate Finance

Clifford L. Gant*
Controller

Malcolm P. Grover*
Vice President
Personnel, Public Relations,
Industrial Relations and
Economic Research

K. W. Hess
Vice President
Grocery Merchandising

Lorenzo N. Hoopes*
Vice President
Supply Operations

Philip G. Horton
Vice President
Real Estate Division Manager

Robert M. Lyness
Vice President
Retail Engineering
Division Manager

James M. McGinty
Vice President and Assistant Treasurer
Treasurer's Office

Glenn K. Mowry*
Vice President (Finance) and Treasurer
Principal Financial Officer

G. H. Parker*
Vice President
Regional Retail Manager

W. C. Peet, Jr.
Vice President
Corporate Development

Earl W. Smith
Vice President
Southern California Division Manager

Robert J. Van Gemert*
Vice President and Secretary
General Counsel

Herman F. Weber
Vice President
Industrial Relations

Basil M. Winstead
Vice President
Washington, D.C. Division Manager

*Executive Officers of the Company

EXECUTIVE OFFICES
Fourth and Jackson Streets, Oakland, California
(P.O. Box 660, Oakland, California 94604)

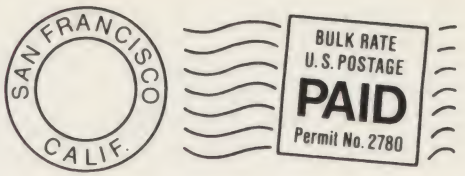
TRANSFER AGENTS
The Chase Manhattan Bank (National Association), New York, New York and the Crocker-Citizens National Bank, San Francisco, California

REGISTRARS
First National City Bank, New York, New York and The Bank of California, National Association, San Francisco, California

ACCOUNTANTS
Peat, Marwick, Mitchell & Co.

ANNUAL MEETING
The 1970 Annual Meeting of the Common Stockholders will be held on May 19, 1970. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed separately to Common Stockholders about April 10, 1970. This Annual Report does not constitute part of the proxy soliciting material.

SAFEWAY STORES, INCORPORATED
P. O. BOX 660, OAKLAND, CALIFORNIA 94604



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